

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Priority Mail & First-Class Package Service Contract 2
(MC2012-24)
Negotiated Service Agreement

Docket No. CP2015-32

PUBLIC REPRESENTATIVE COMMENTS ON
POSTAL SERVICE NOTICE OF AMENDMENT TO PRIORITY MAIL & FIRST-CLASS
PACKAGE 2

(March 9, 2016)

I. INTRODUCTION

The Public Representative hereby provides comments pursuant to Order No. 3124.¹ In that Order, the Commission reopened the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on a Postal Service Notice of amendment to Priority Mail & First-Class Package Service Contract 2.²

III. COMMENTS

The Commission approved the original Priority Mail & First-Class Package Service Contract 2 in Order No. 2347.³ In that order, the Commission found that “the rates during the first year of the contract should cover the contract’s attributable costs.” *Approving Order* at 5. The Commission also maintained that the price adjustment provision within the contract should not impact the likelihood that the rates will cover

¹ Notice and Order Concerning Amendment to a Priority Mail & First-Class Package Service Negotiated Service Agreement, March 2, 2016 (Order No.3124).

² Notice of United States Postal Service of Change in Prices Pursuant to Amendment to Priority Mail & First-Class Package Service Contract, March 1, 2016 (Notice).

³ Order Adding Priority Mail & First-Class Package Service Contract 2 to the Competitive Product List, February 6, 2015 (Approving Order).

attributable costs during the subsequent contract years because the cost coverage is sufficiently high in the first year. *Id.* at 5.

Requirements of 39 U.S.C. § 3633. Pursuant to section 3633(a), prices for competitive products must cover each product's attributable costs, not result in subsidization of competitive products by market dominant products, and ensure that all competitive products collectively contribute an appropriate share of the institutional costs of the Postal Service. The Public Representative has reviewed the financial worksheets filed under seal with the Notice of Amendment, as well as other documentation related to the original Contract 2.

Based upon that review, the Public Representative concludes that the amended contract terms should generate sufficient revenue to cover costs and satisfy the requirements of 39 U.S.C. § 3633(a). The contract contains several terms that affect prices adjustments. *Notice; Attachment A* at 2. These terms should help maintain the contract's ability to meet the requirements of 39 U.S.C. § 3633(a) over the lifetime of the contract.⁴ The Commission will have an opportunity to review the revenue, cost and volume data for the amended Contract 2 in the future Annual Compliance Determination Reports.

The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

Curtis Kidd
Public Representative

901 New York Ave. NW
Washington, DC 20268-0001
202-789-6881
Curtis.Kidd@prc.gov

⁴ Contract 2 is scheduled to expire three years from the effective date (February 7, 2015), subject to early termination provisions.